



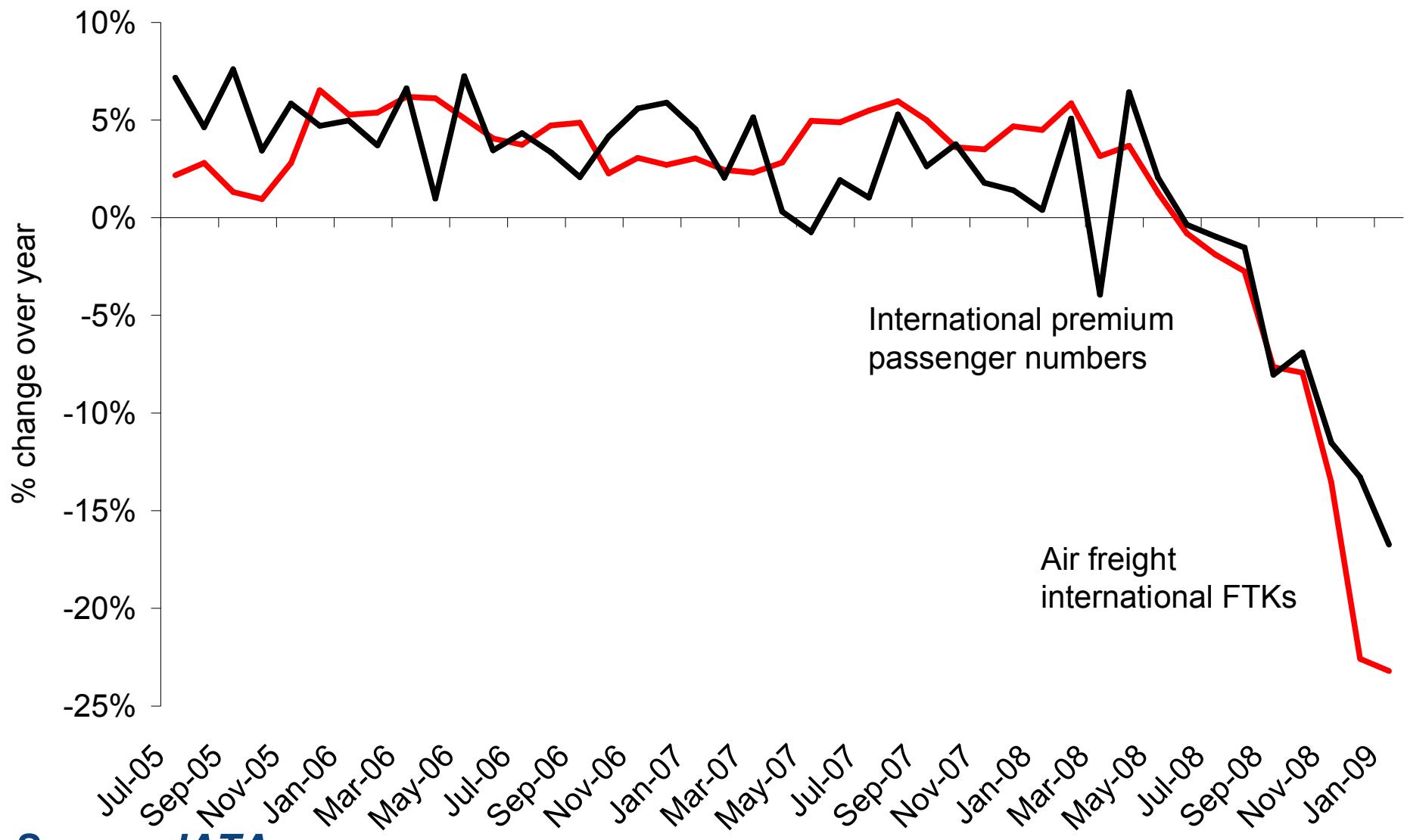
Airline outlook dominated by recession impact

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Chief Economist
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To represent, lead and serve the airline industry

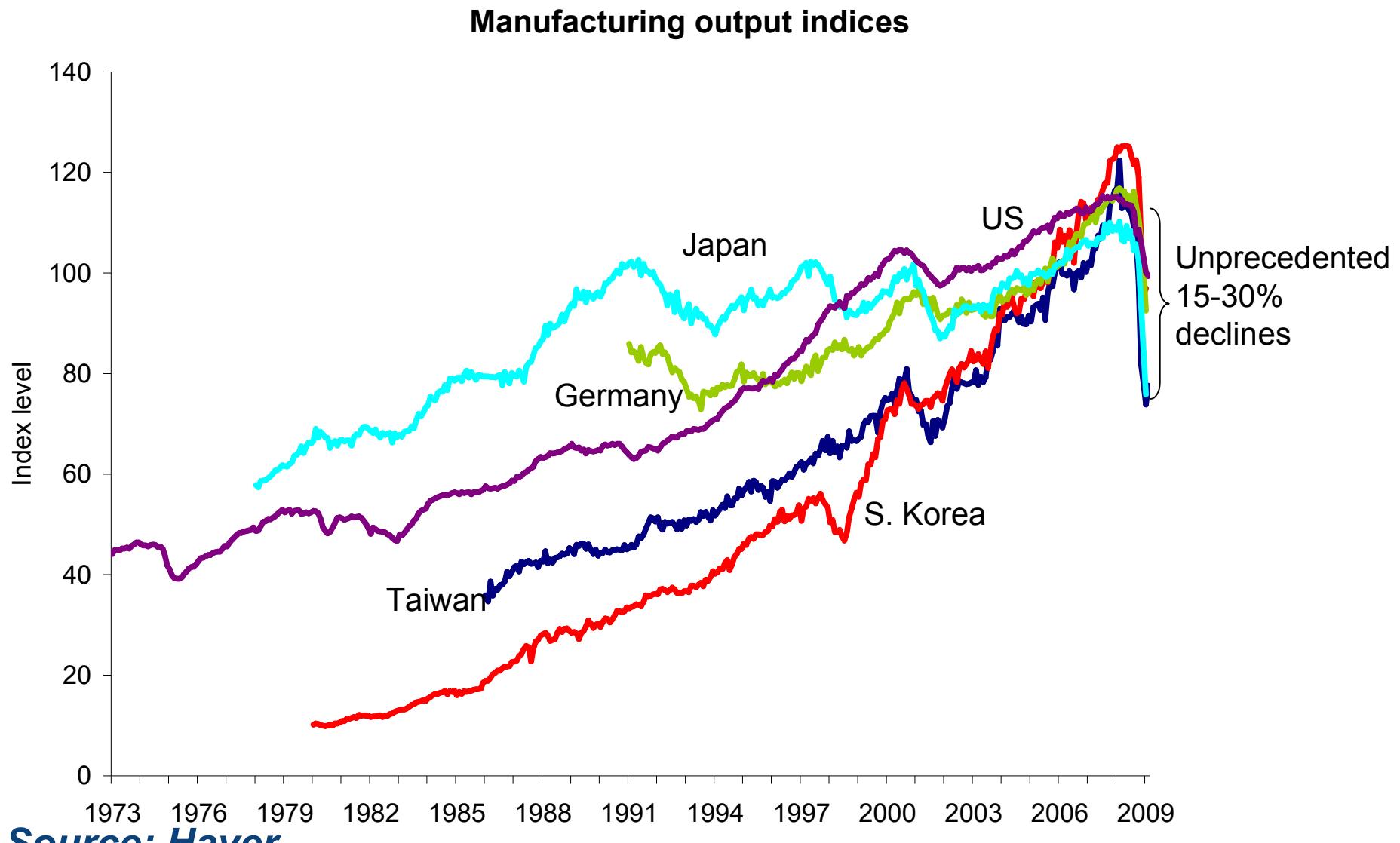


Precipitous slump in freight and travel



Source: IATA

Unprecedented decline in manufacturing

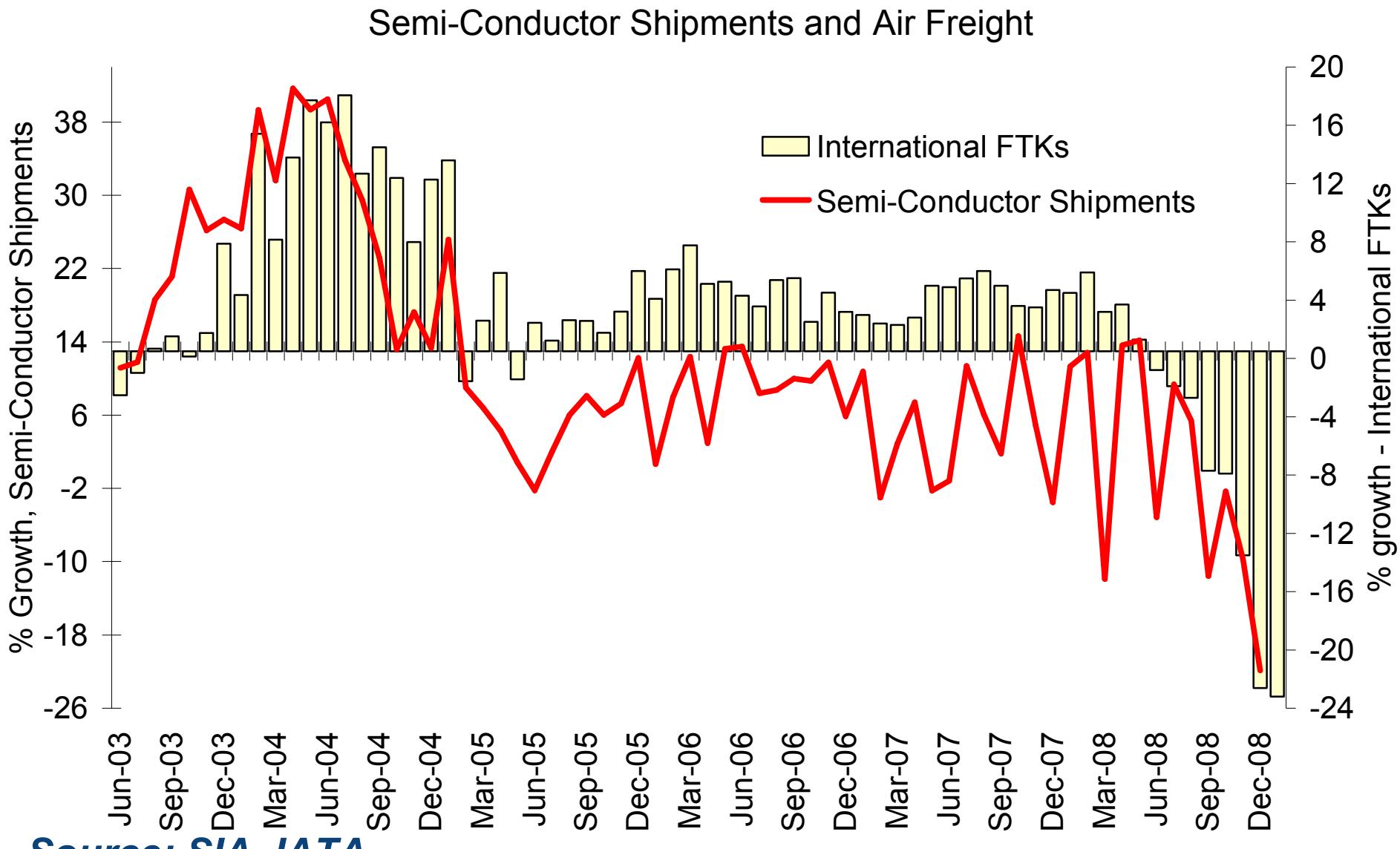


Inventory overhang led to air freight fall

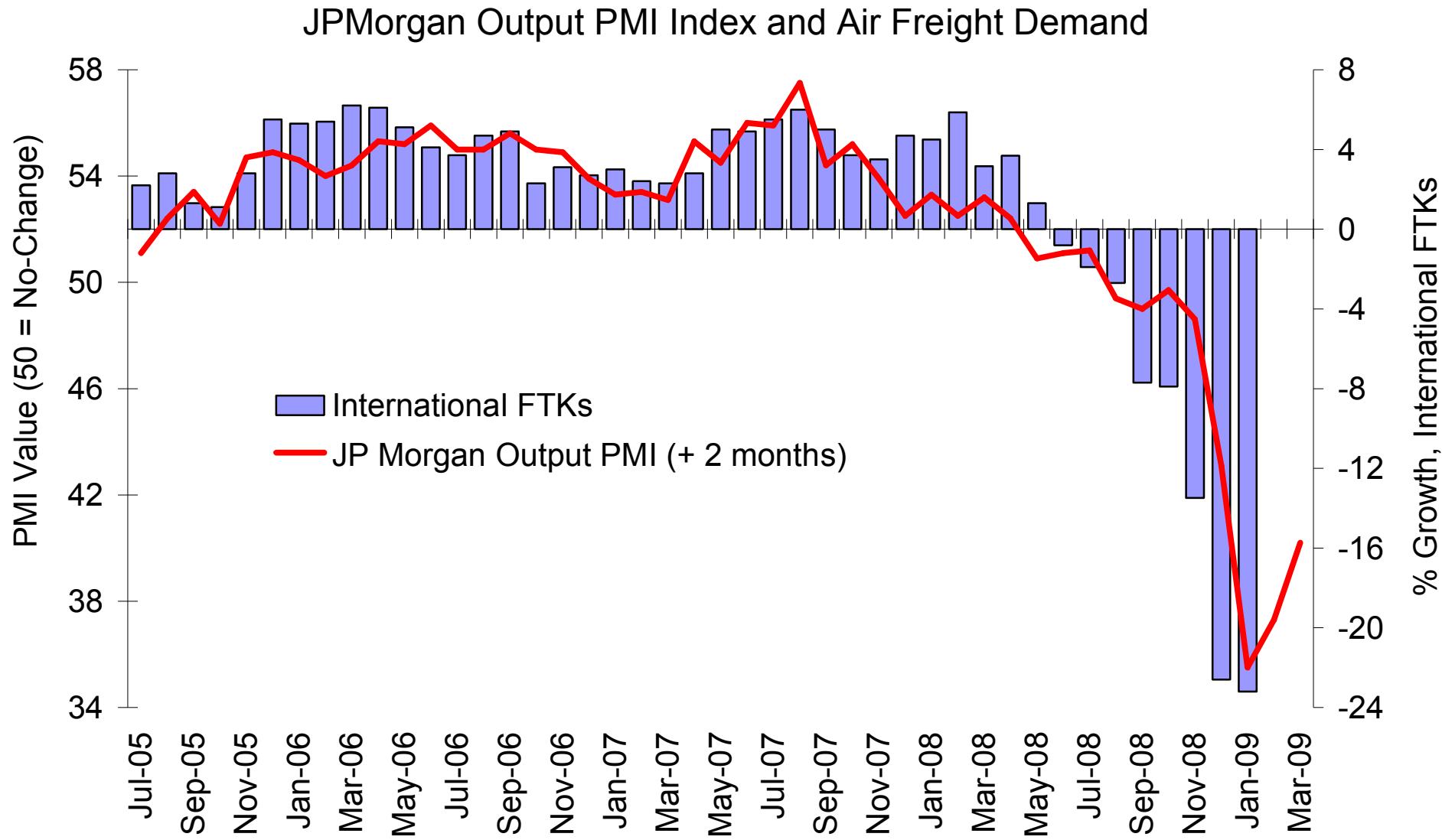


Source: Haver Analytics

Shippers abruptly stopped shipping

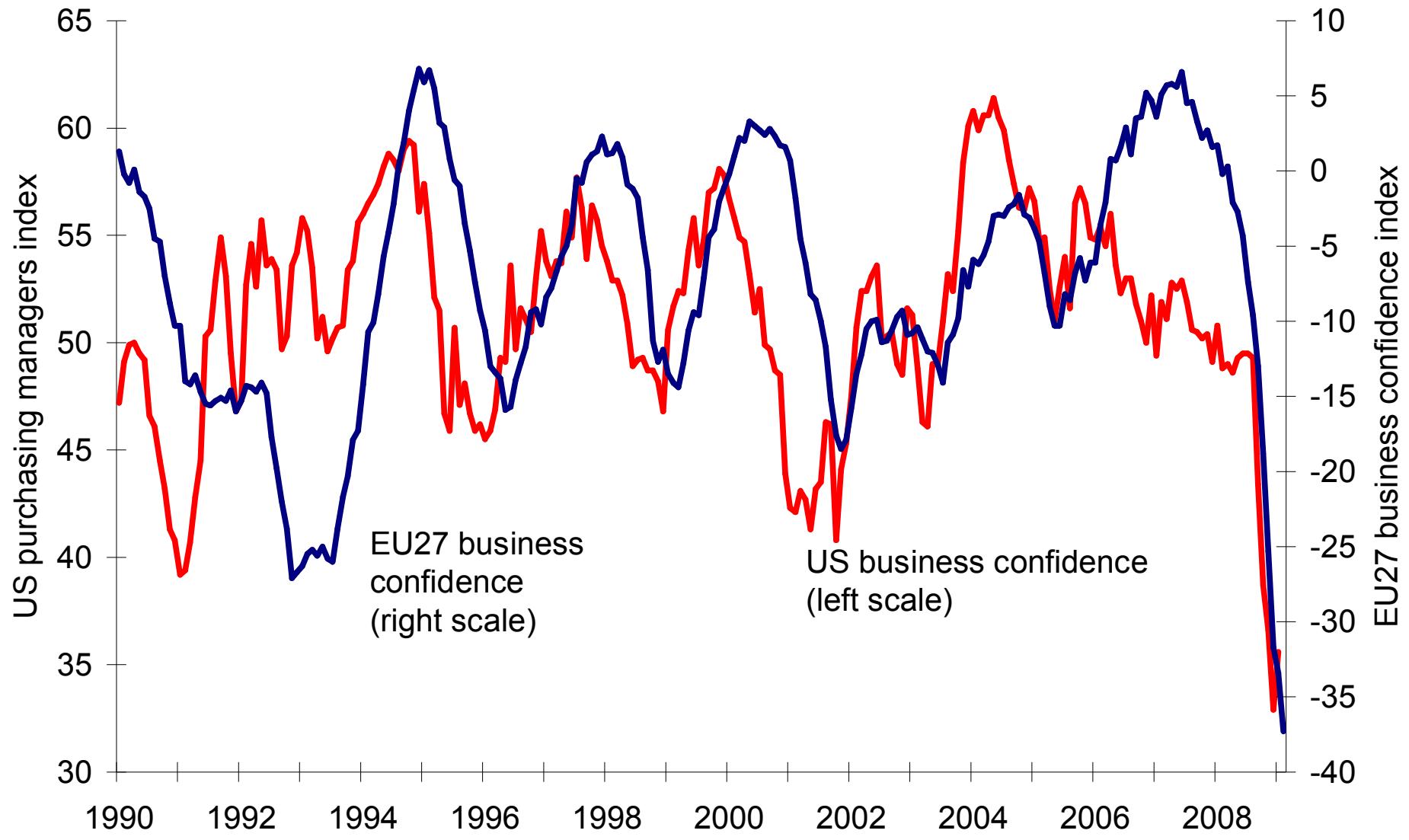


Light at the end of the tunnel?



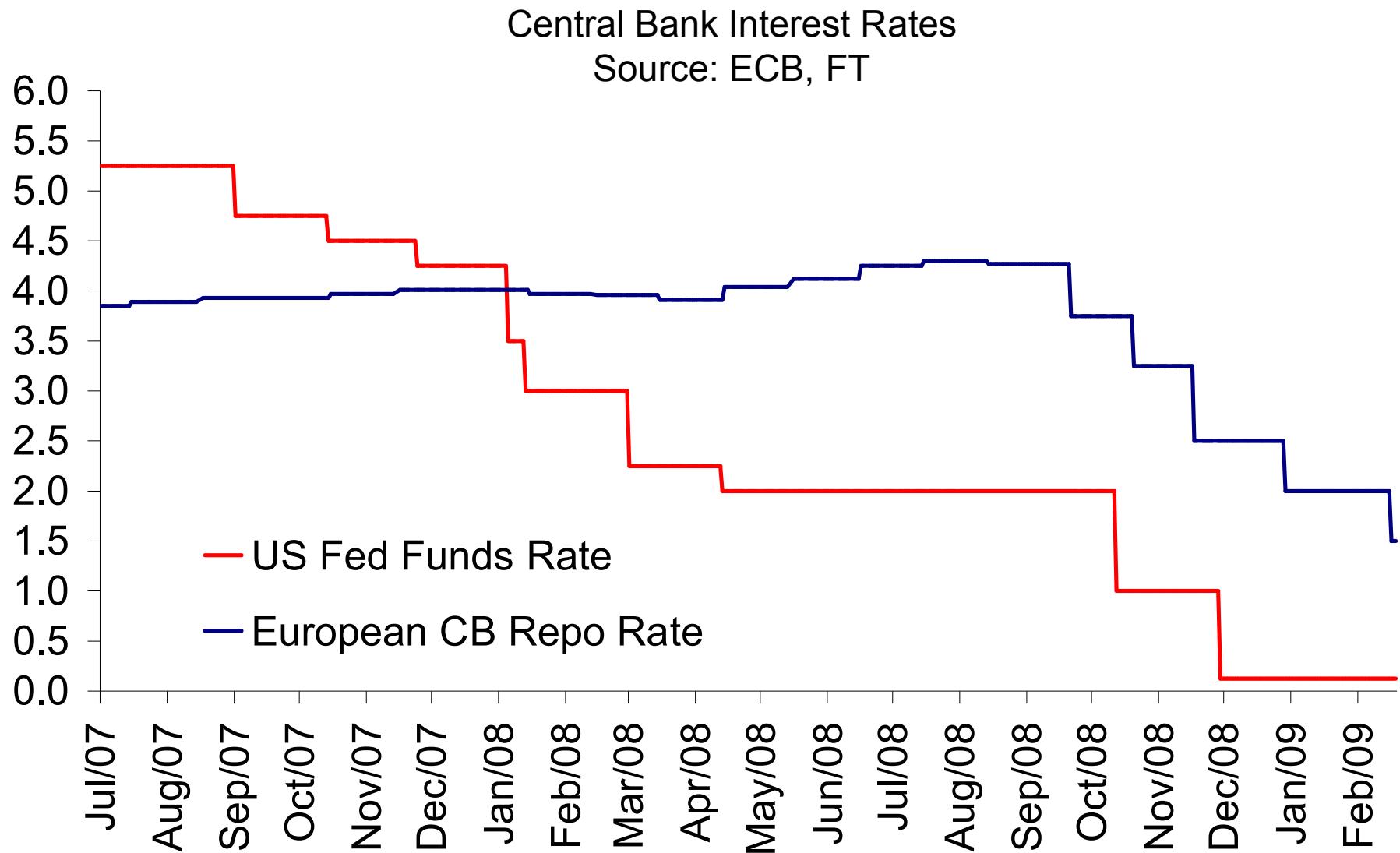
Source: Haver Analytics

But business confidence at new lows



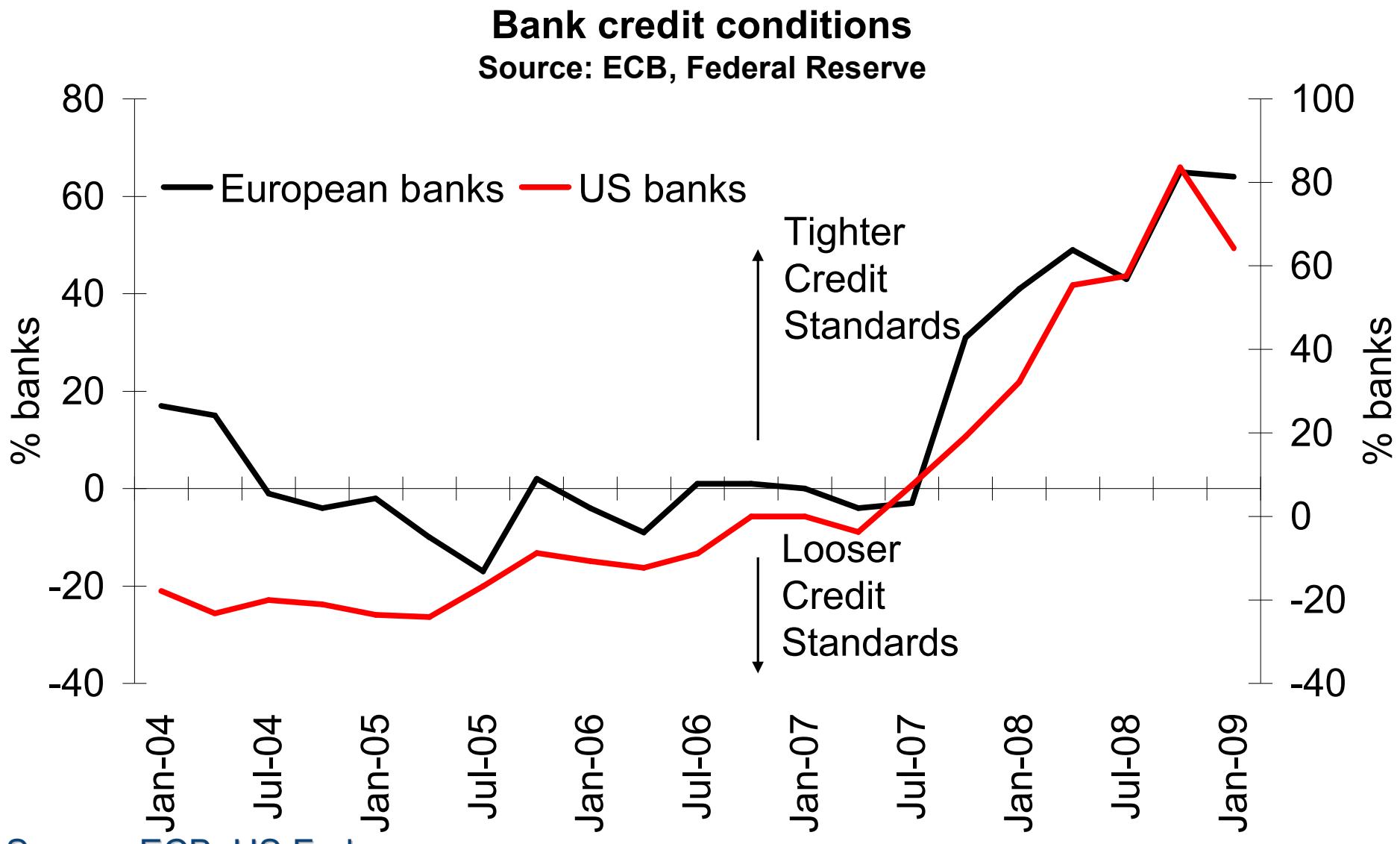
Source: Haver

Big cuts in Central Bank interest rates

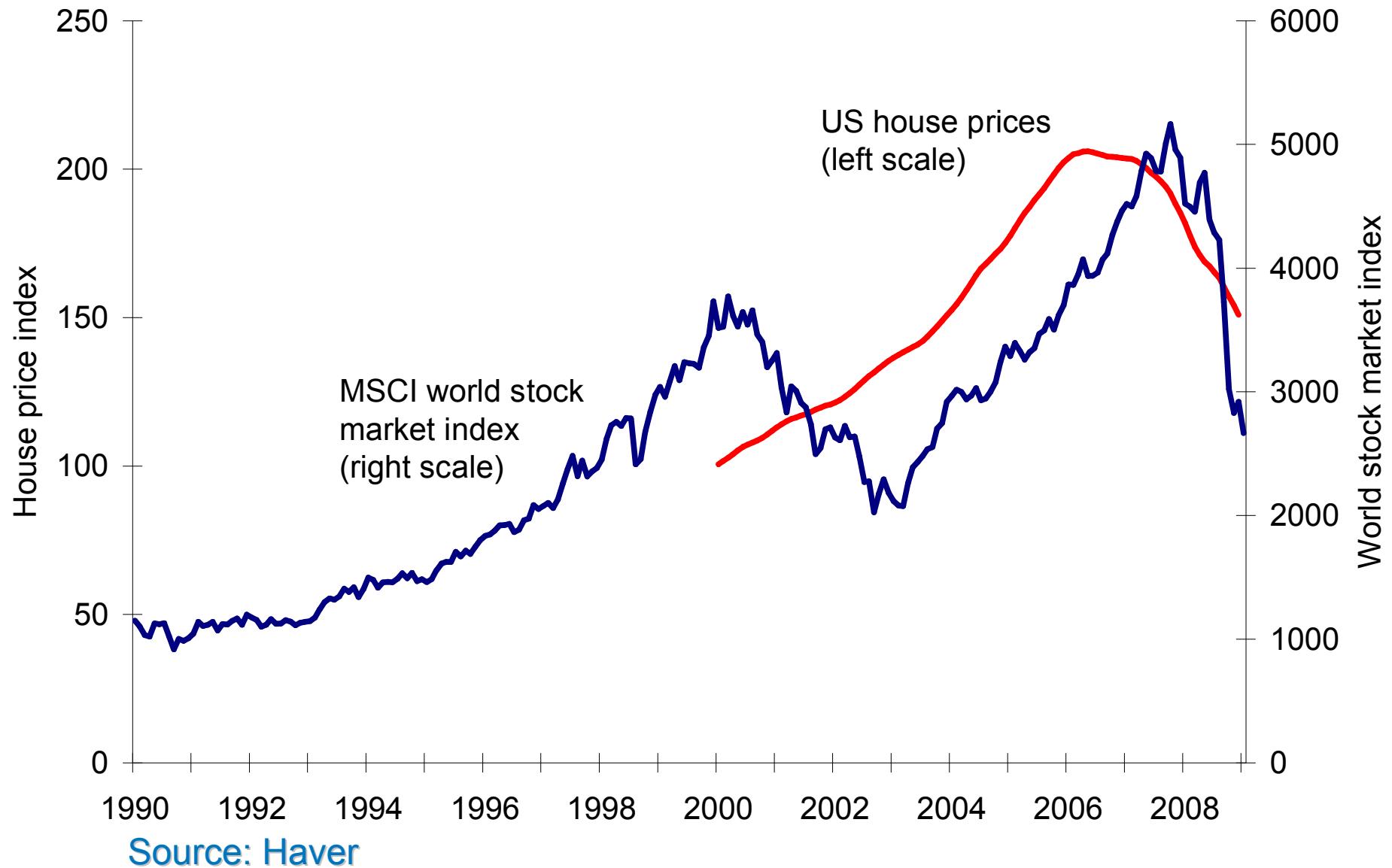


Source: ECB, US Fed

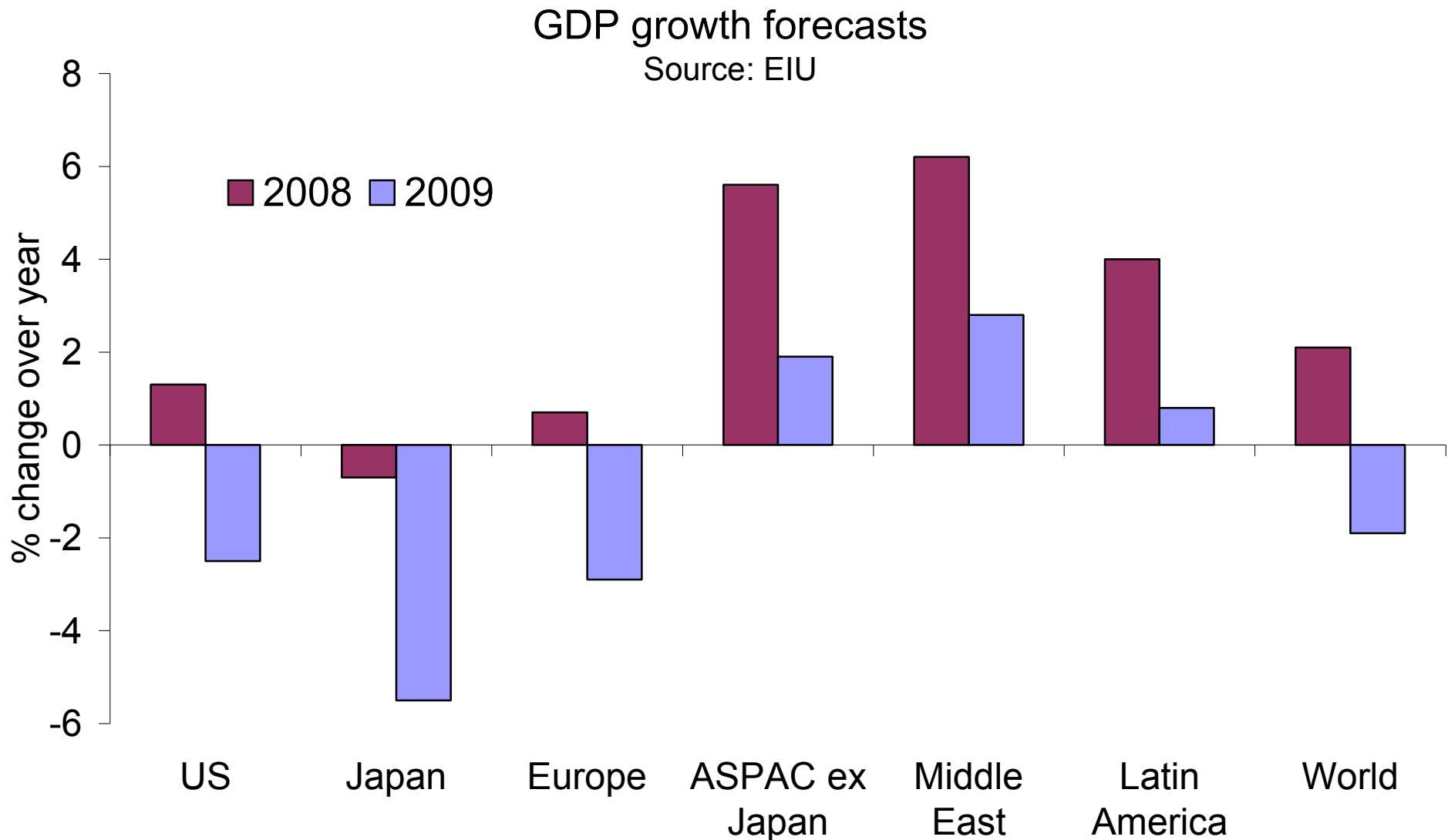
But banks are still unwilling to lend



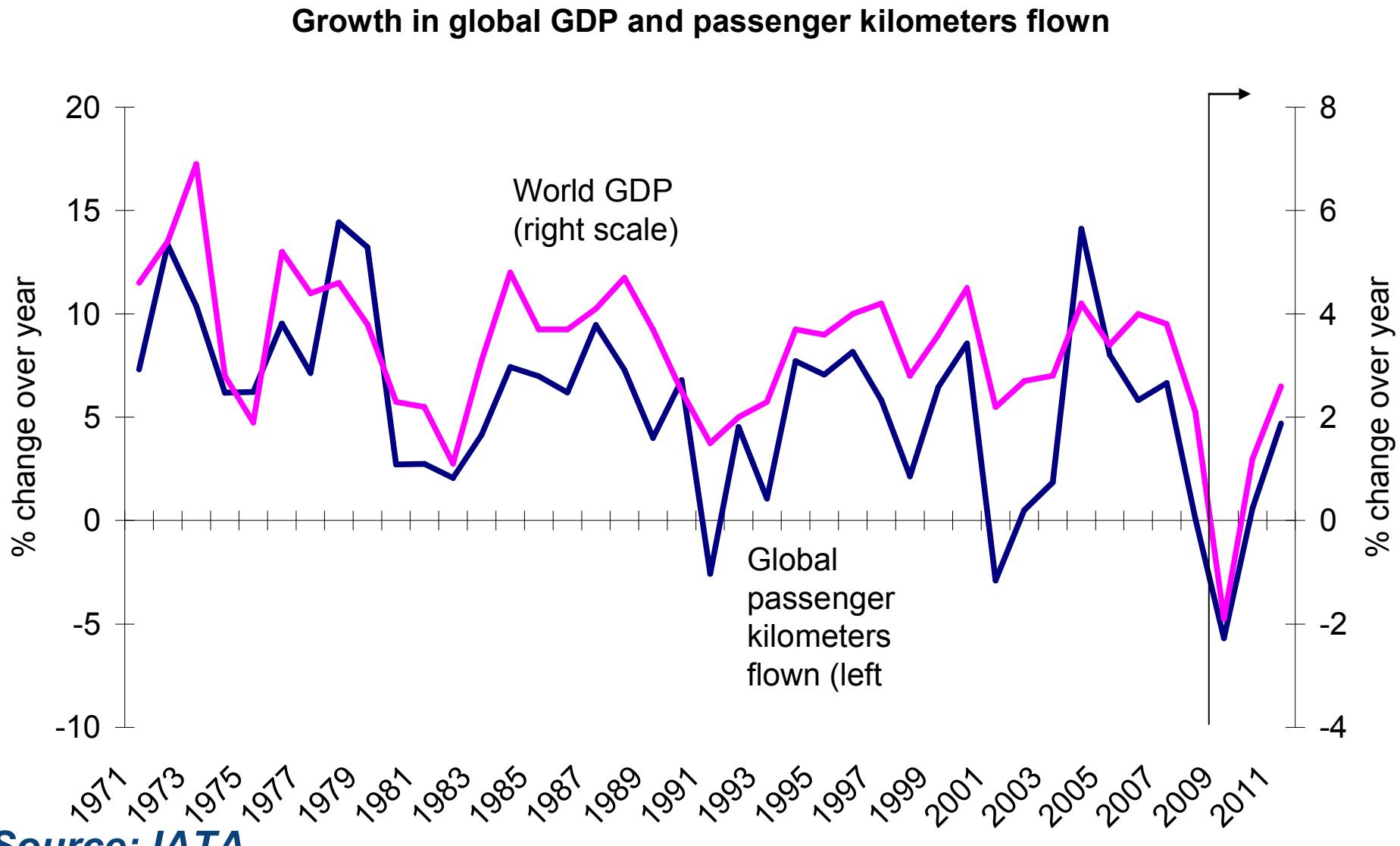
Consumers unwilling to borrow or spend



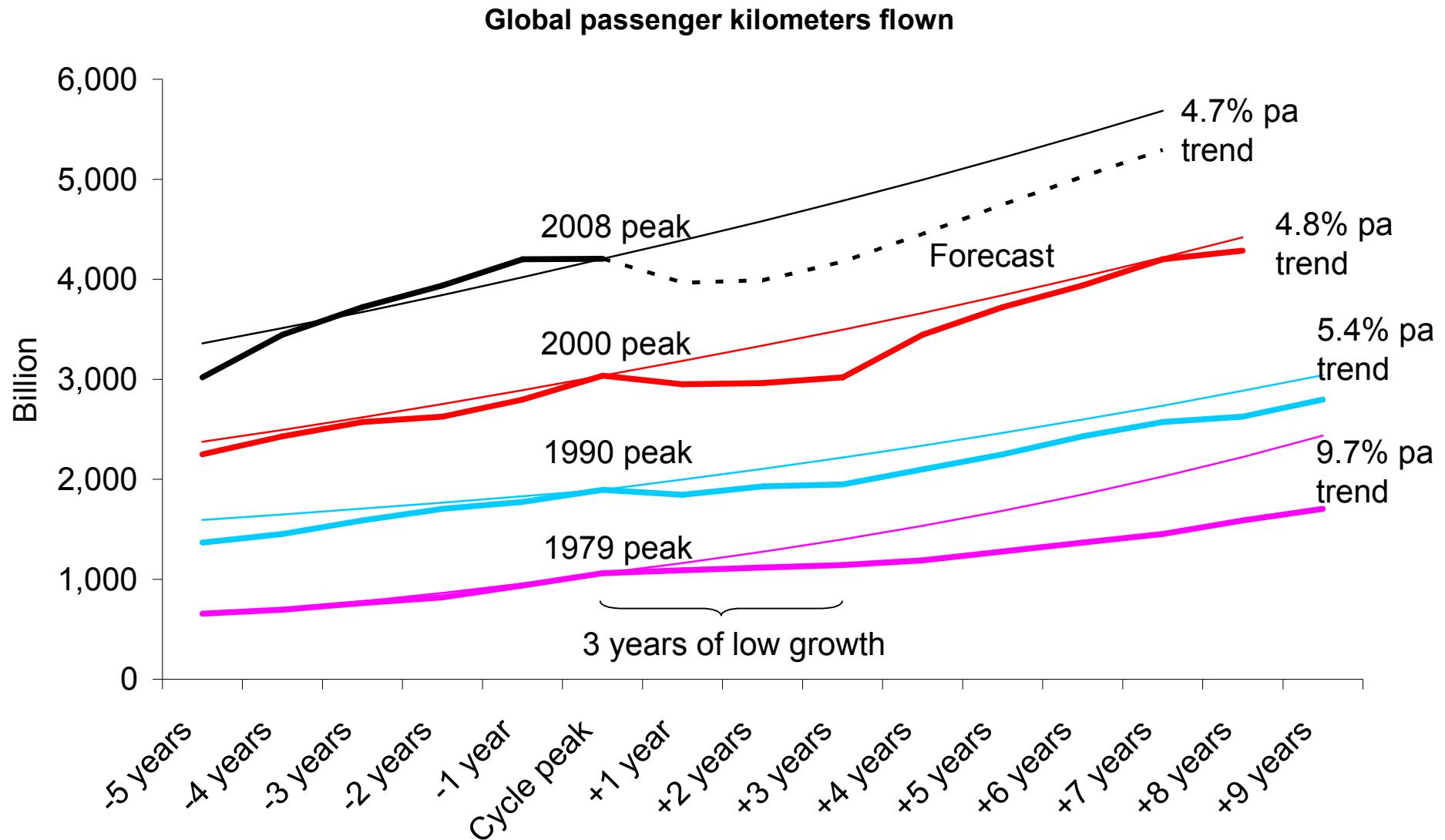
Deepest recession since the 1930s



Resulting in a sharp fall in travel

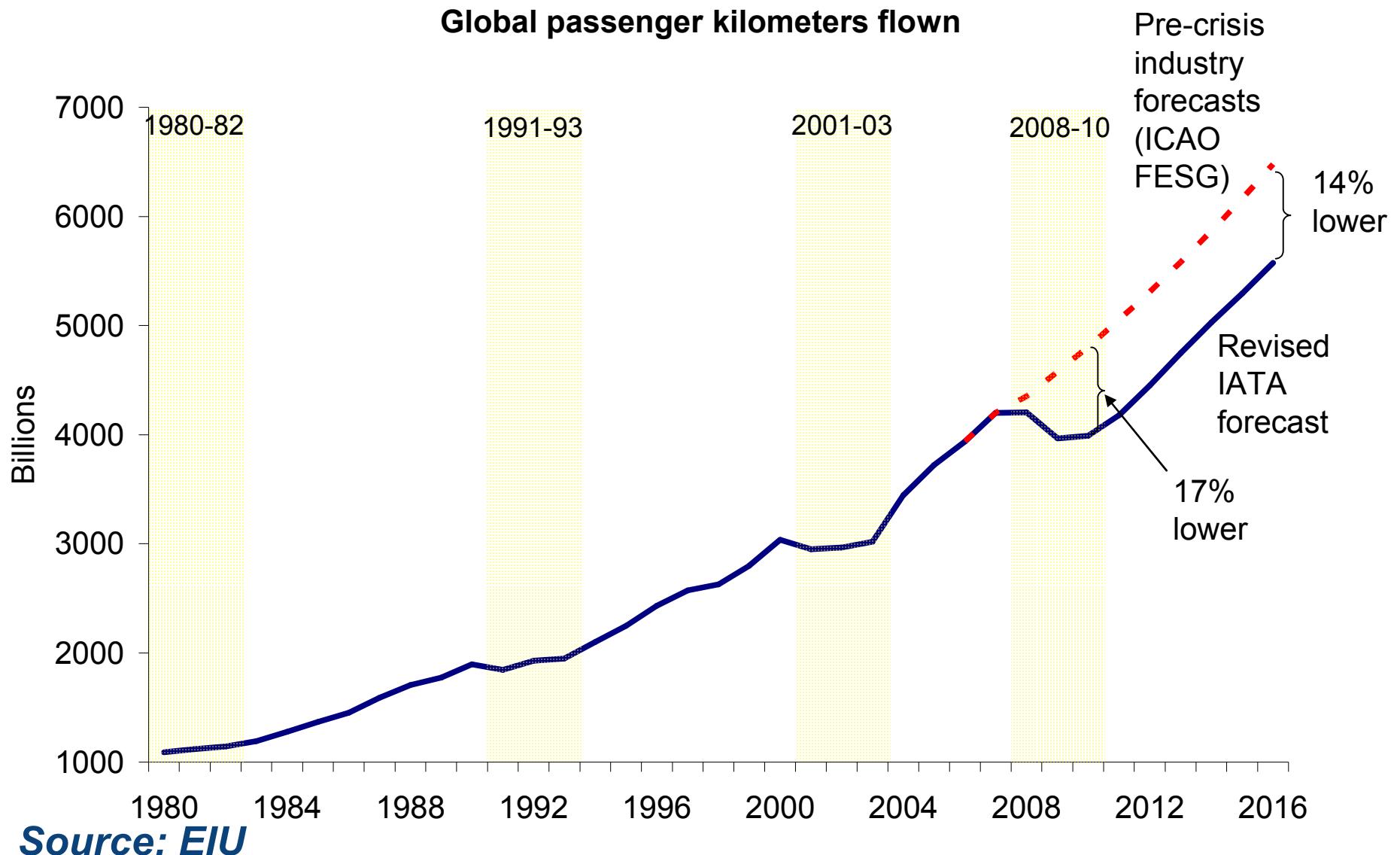


The post-2001 recovery was unusual

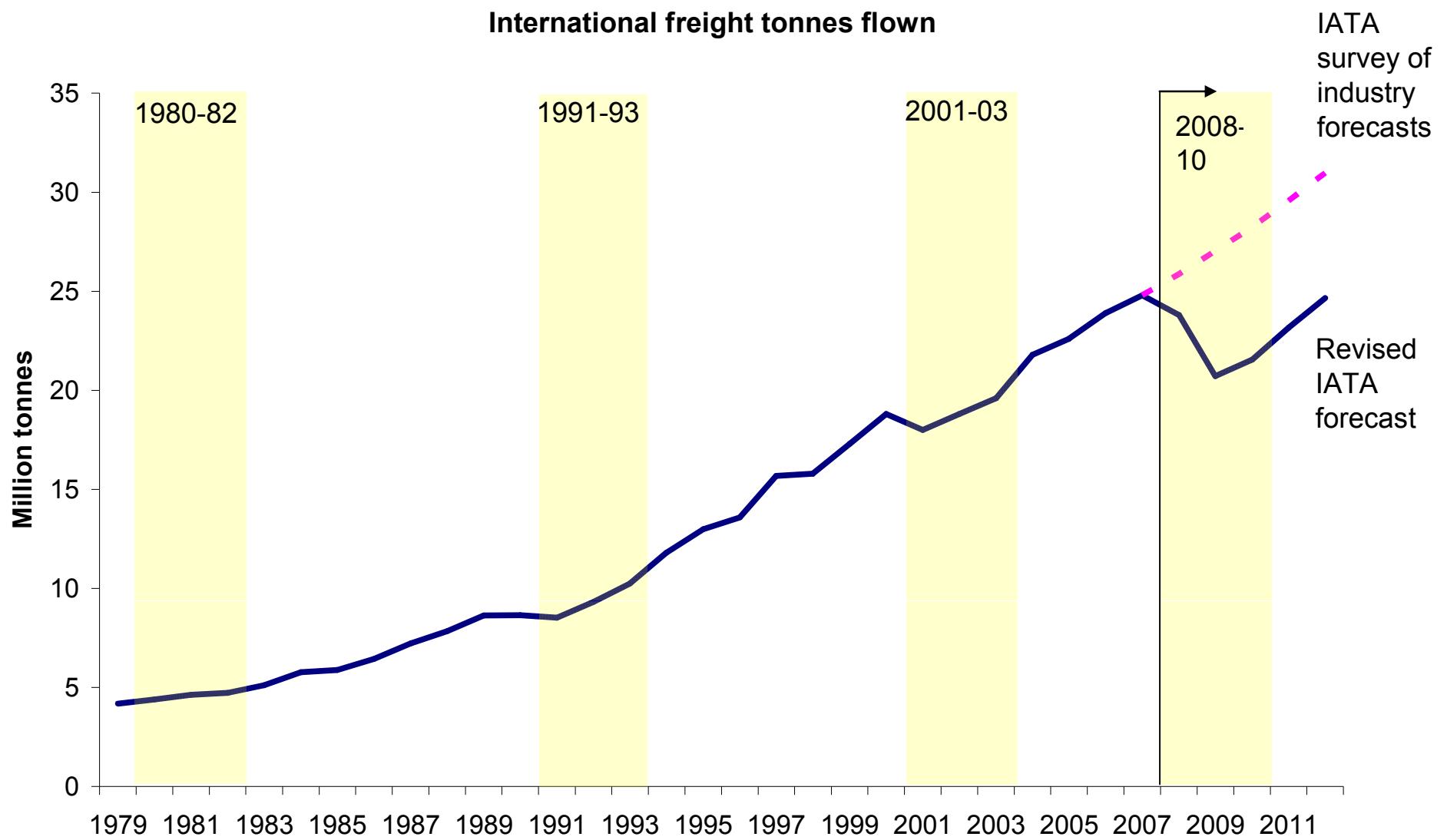


Source: IATA

Traffic likely to stay low for longer

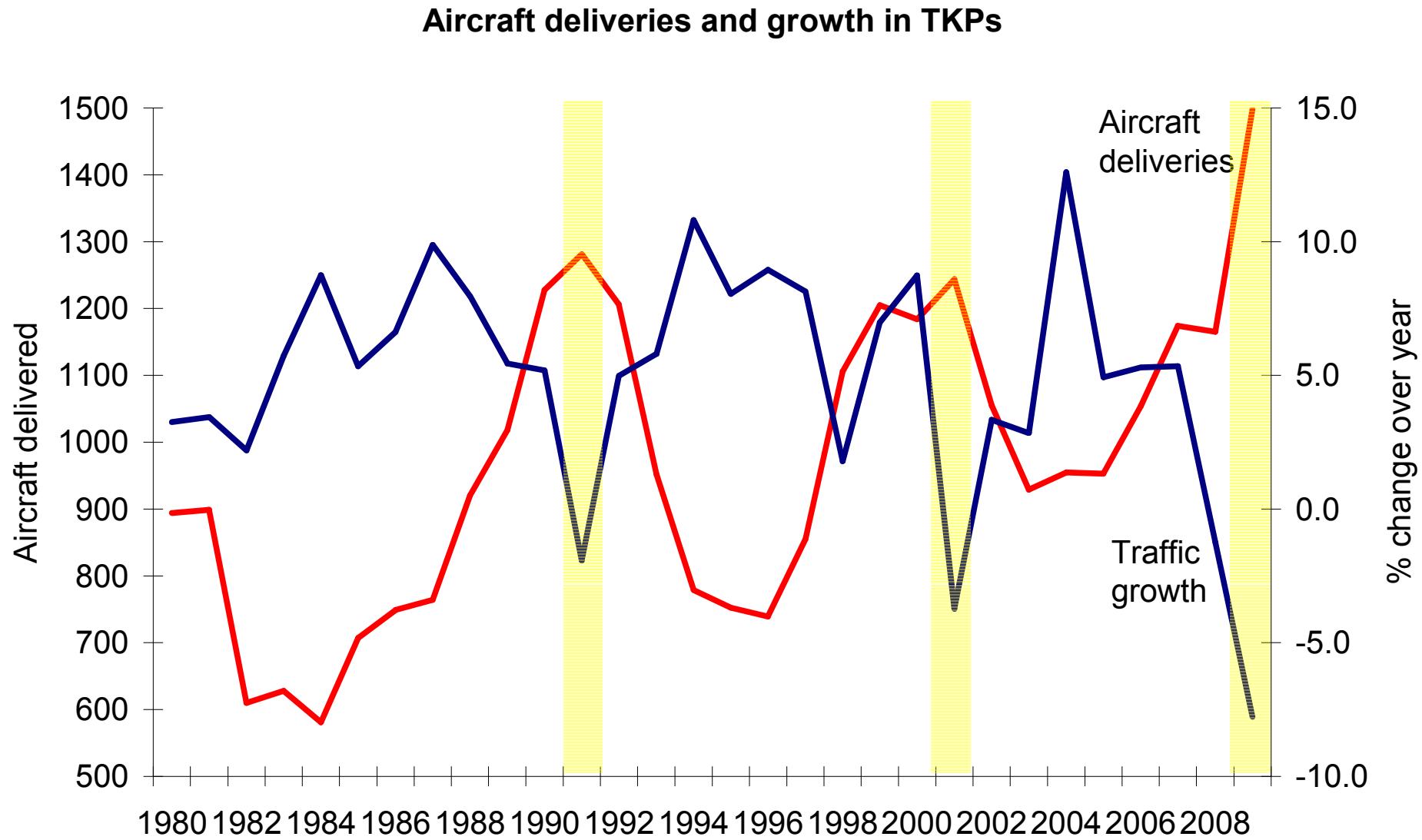


Air freight looks particularly hard hit



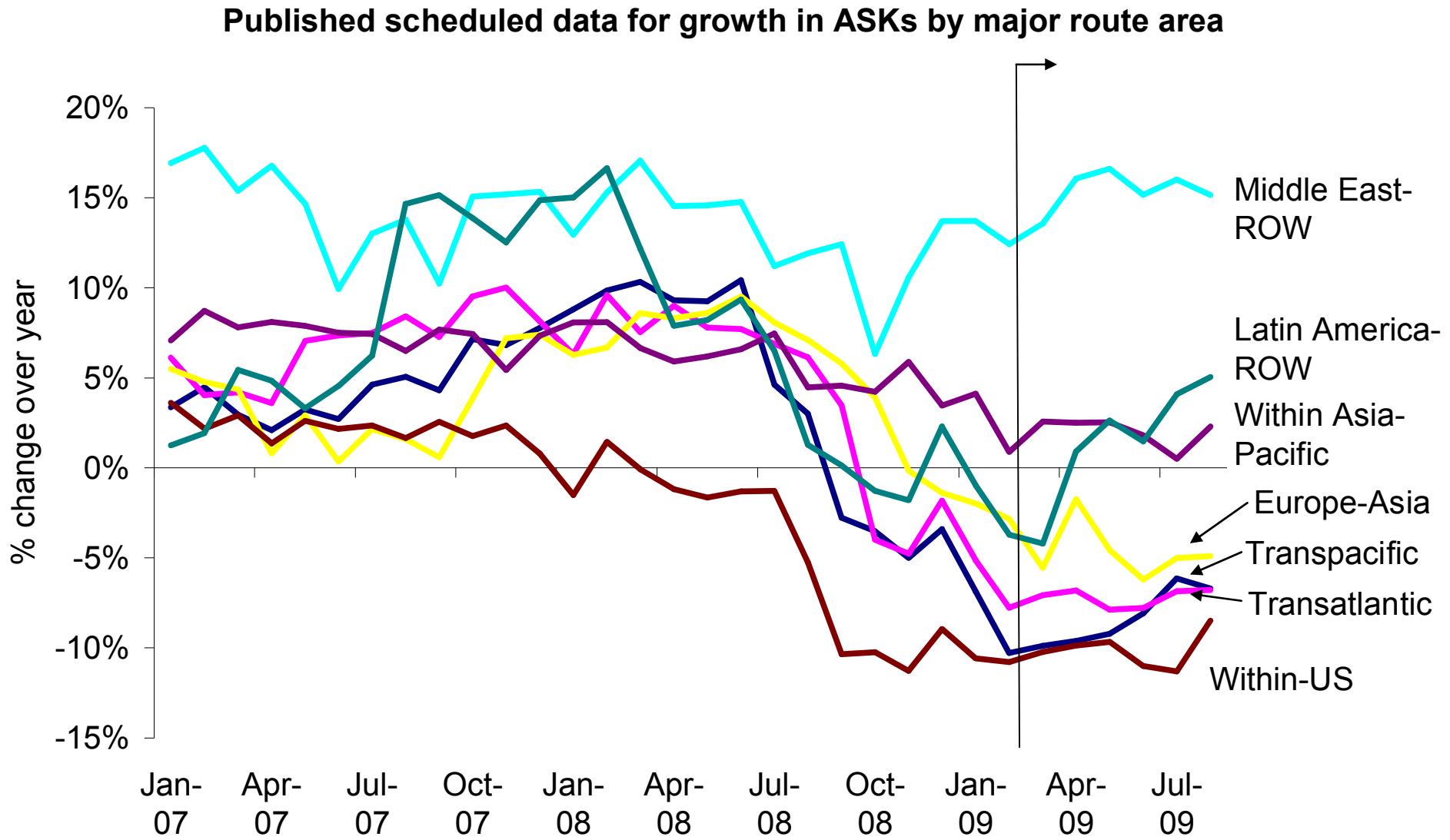
Source: ICAO, IATA

History repeats itself yet again



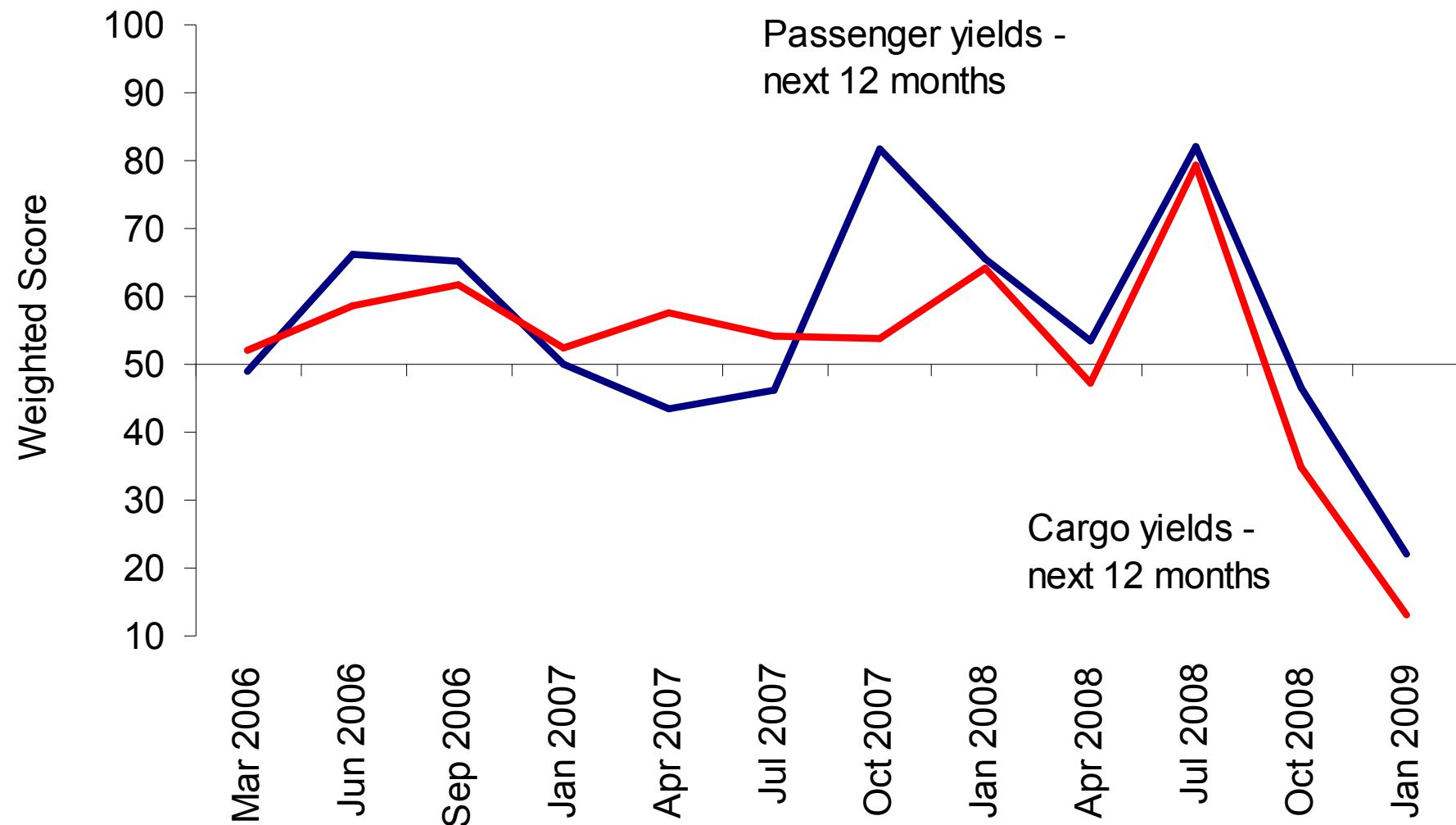
Source: Ascend, IATA

Mixed picture of airline capacity cuts



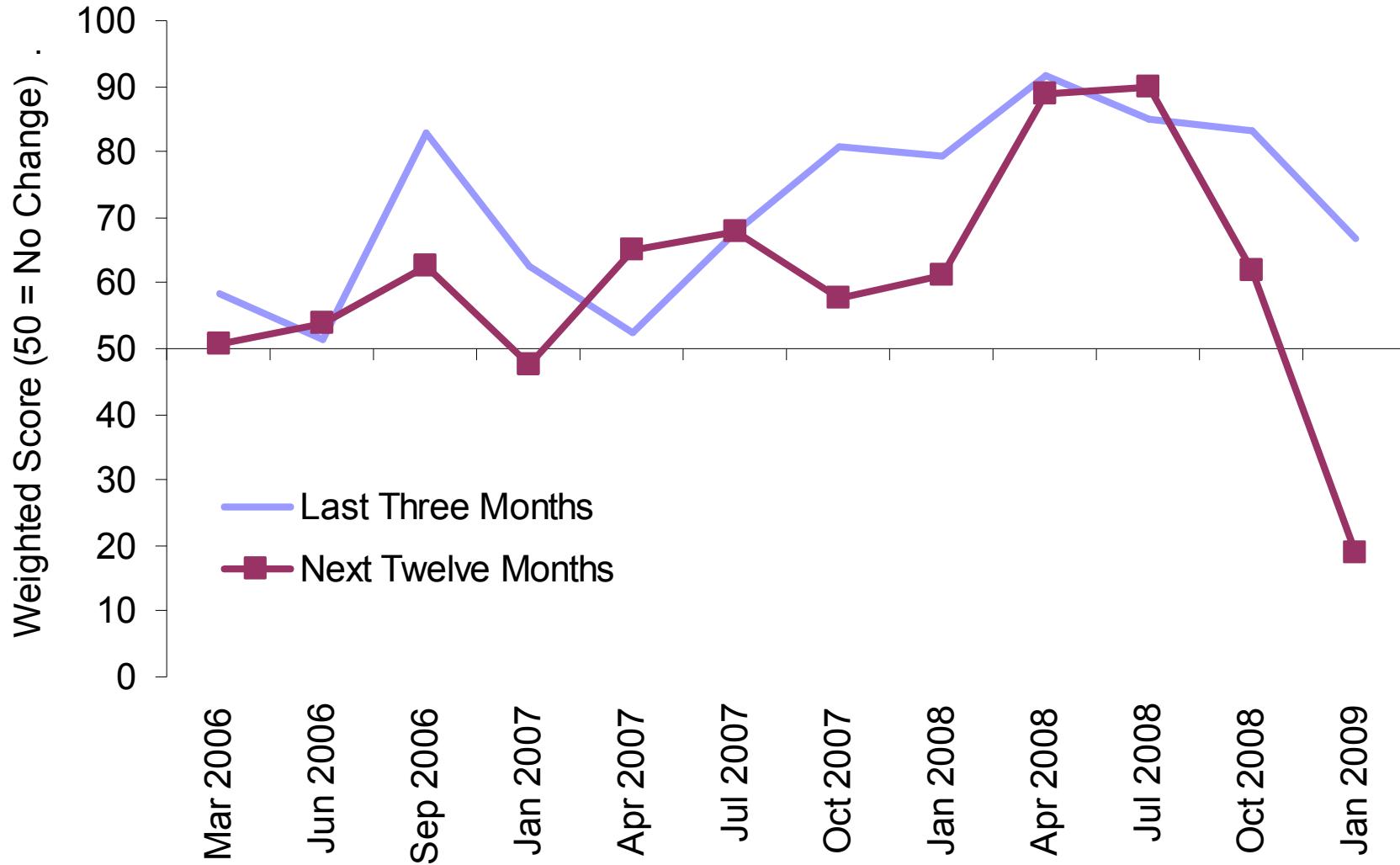
Source: SRS Analyser

Yields are expected to fall significantly



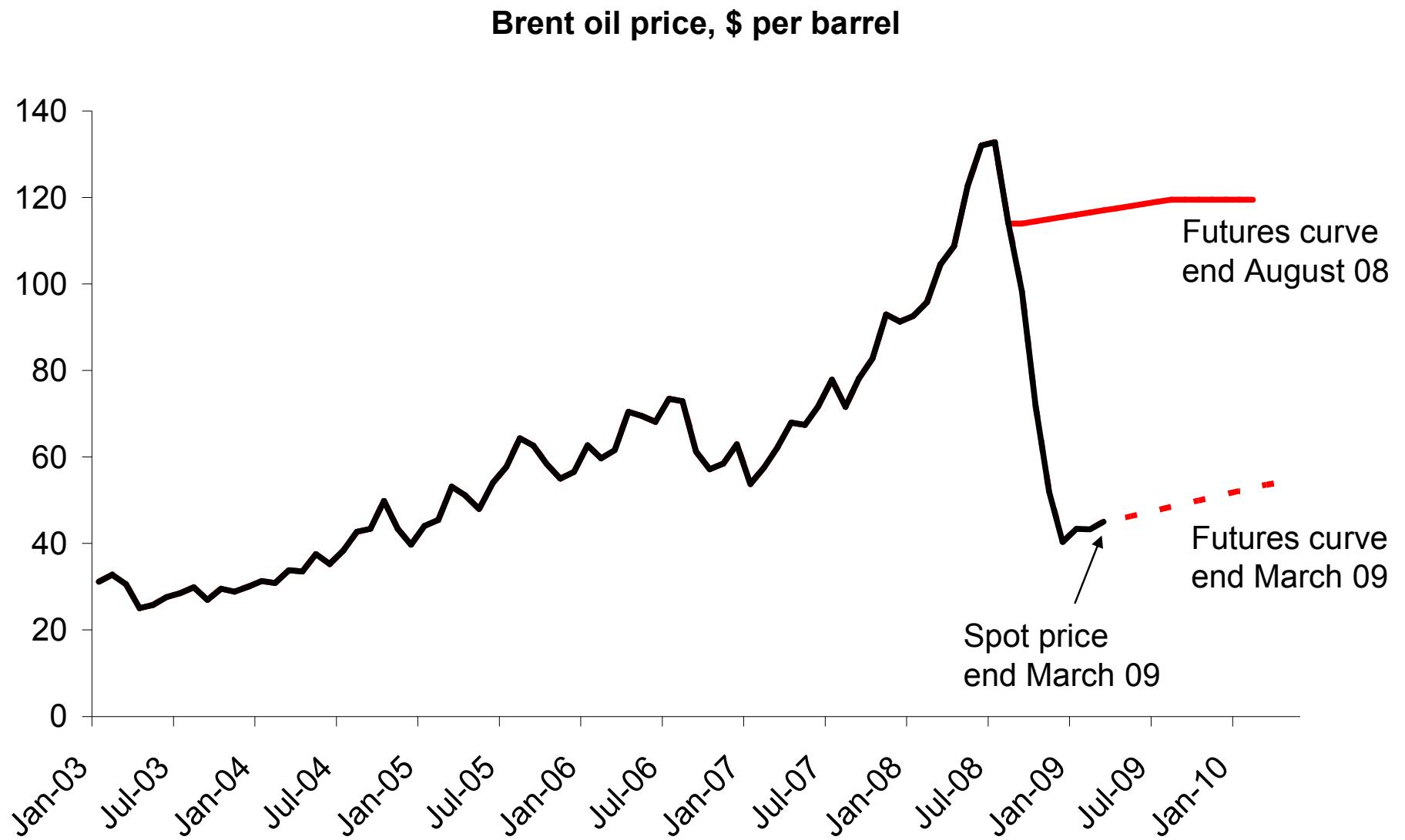
Source: IATA business confidence survey

Costs should also fall, after some delay



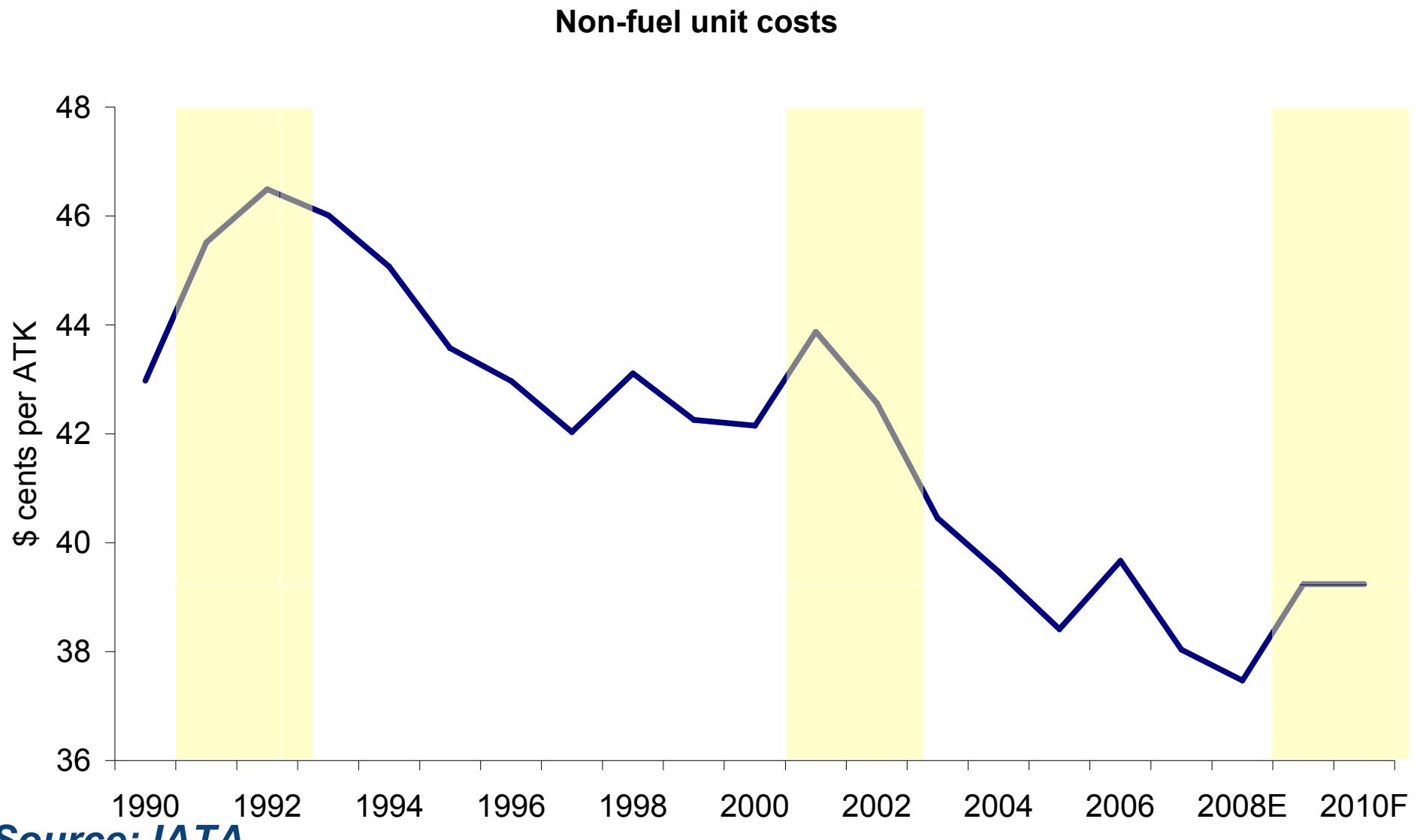
Source: IATA business confidence survey

Looking ahead oil is much cheaper

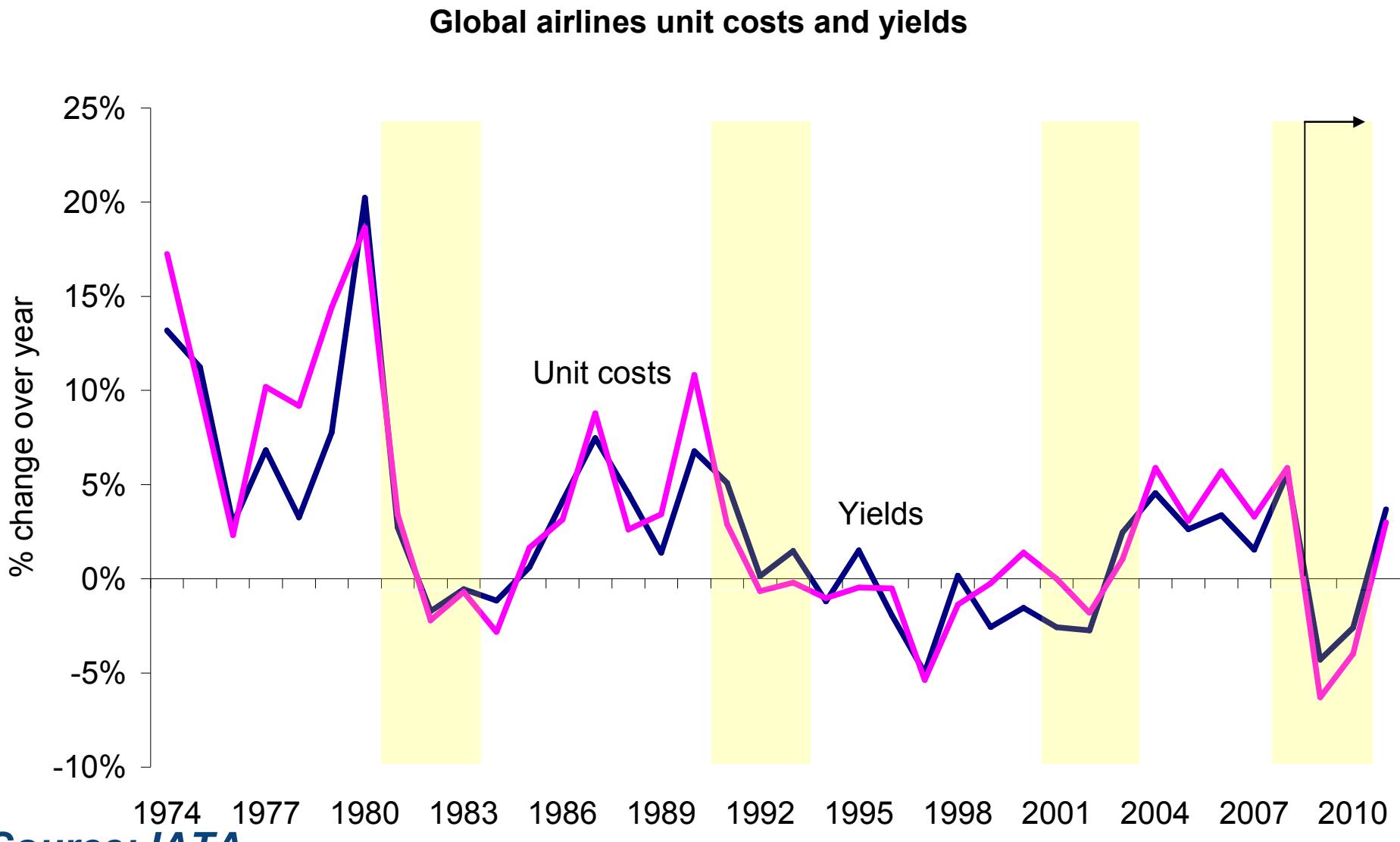


Source: RBS

But non-fuel unit costs rise in downturns

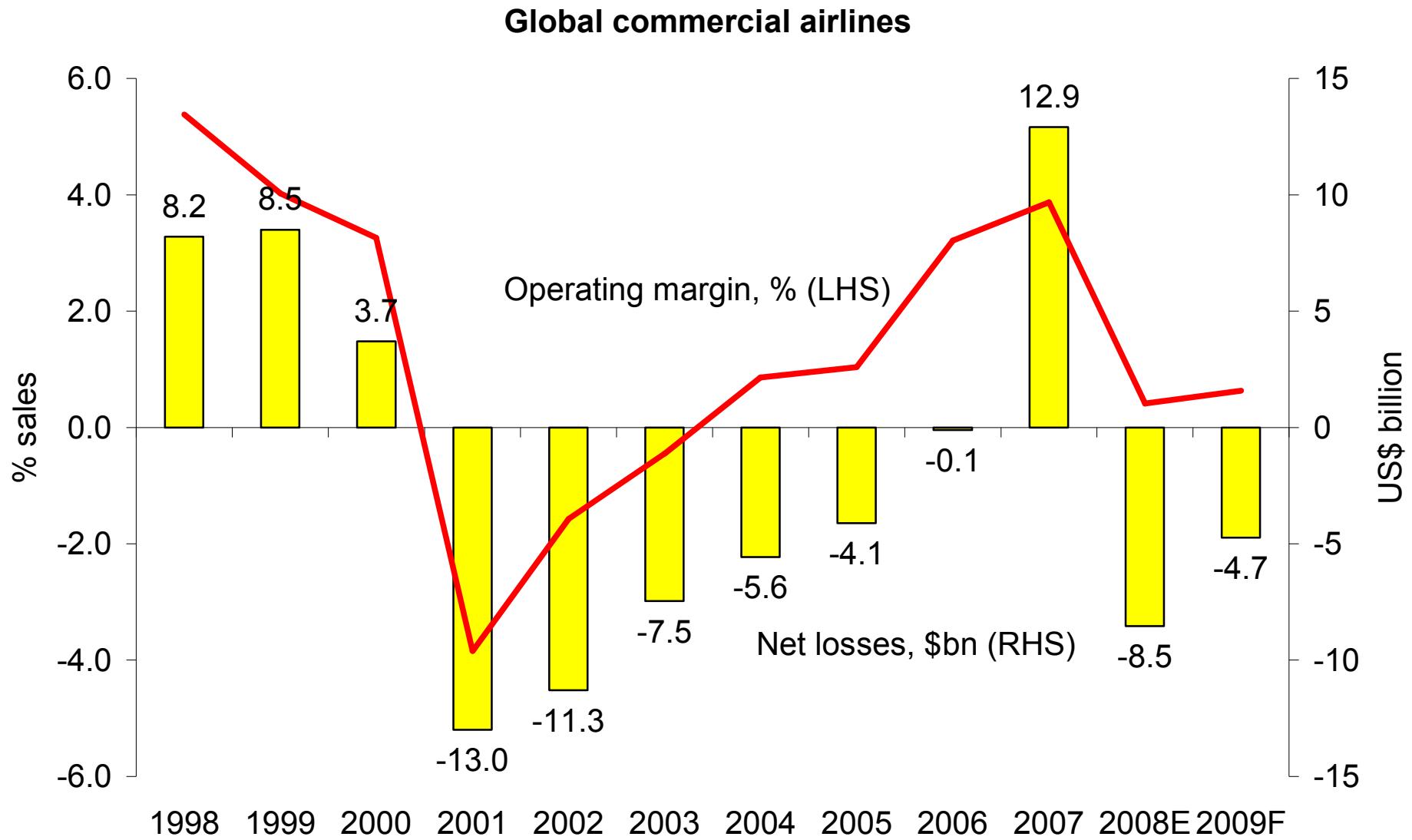


Overall both CASM and yields will fall



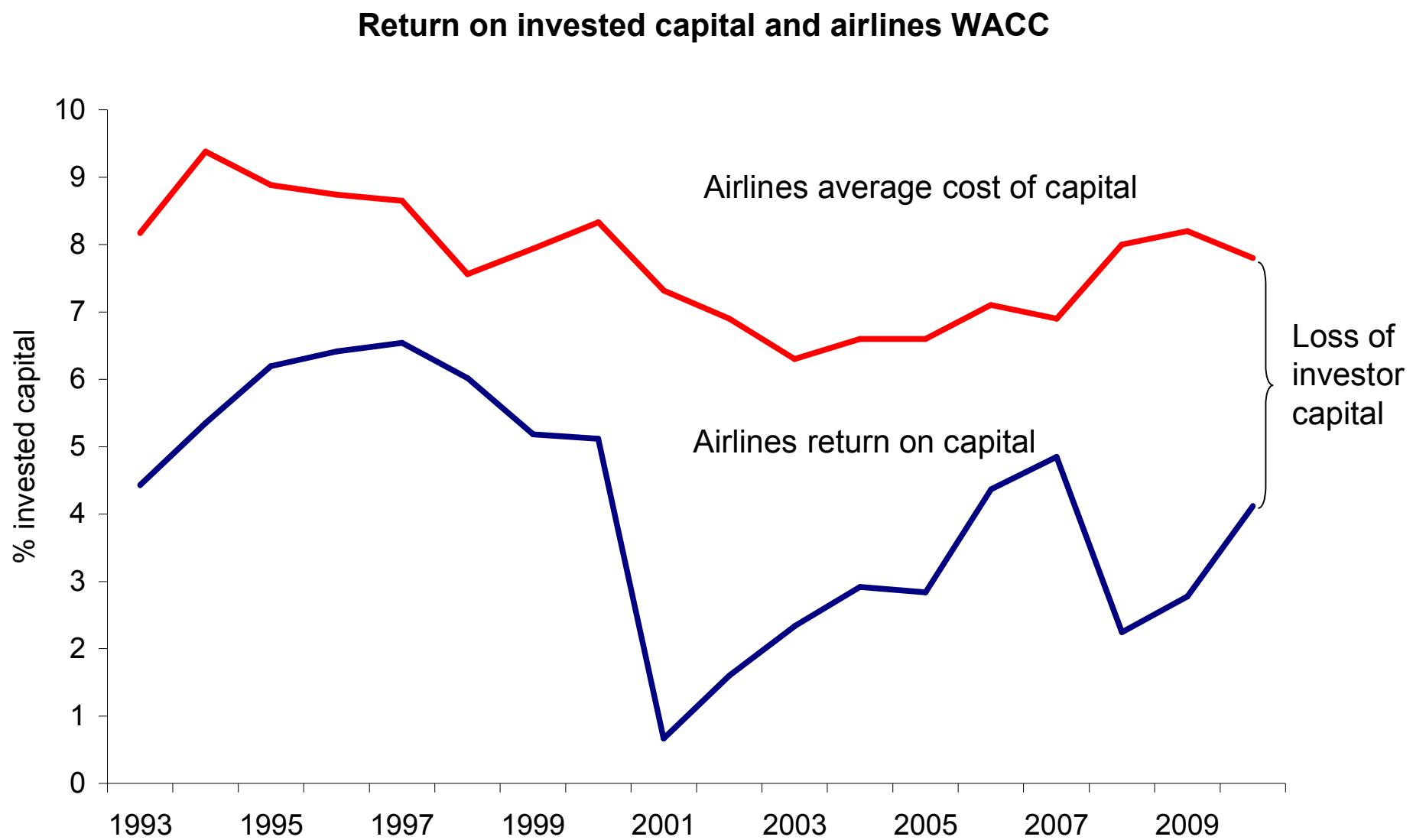
Source: IATA

Net loss of \$4.7bn forecast for 2009



Source: IATA

Airlines unable to return cost of capital



Source: IATA